

## Oregon Parks and Recreation Department

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Budget
General Fund	979,999			
Lottery Funds	79,666,375	83,259,675	99,719,970	105,630,892
Other Funds	99,602,710	111,939,526	91,628,295	97,455,141
Federal Funds	9,358,198	12,874,261	9,871,343	16,397,848
<b>Total Funds</b>	<b>189,607,282</b>	<b>208,073,462</b>	<b>201,219,608</b>	<b>219,483,881</b>
Positions	864	847	845	889
FTE	593.33	576.26	575.20	612.10

\* Includes Emergency Board and administrative actions through December 2016.

### Program Description

The State Parks and Recreation Department (OPRD) operates under the direction of a seven-member Commission. The Department operates the state's system of more than 250 recreational properties, managing various programs including: ocean shores protection; scenic waterways; the Willamette River Greenway; recreational trails; all-terrain vehicles program; recreation grants to counties and local governments; and state park land use and outdoor recreation planning. The OPRD director is also designated as the State Historic Preservation Officer and oversees activities of the Oregon Heritage Commission and Oregon Commission on Historic Cemeteries. In addition, the Department manages Natural Resource Lottery Funds programs including local park development grants; state park land acquisition; operations and maintenance; the parks-prisons inmate work program; state park facilities; and development projects.

The Department manages park lands covering 109,551 acres. These include 58 campgrounds, 256 day-use areas (some include campgrounds), about 1,000 miles of recreation trails, 362 miles of ocean shore, and other special sites such as boating and fishing docks, group meeting halls, interpretive centers, museums, and 2 historic inns.

### CSL Summary and Issues

The 2017-19 biennium current service level budget for the agency shrinks by 3.3% from the 2015-17 legislatively approved budget. The reduction includes the phase out of \$11.5 million Other Funds limitation for lottery bond proceeds for the Main Street program, Forest Park, and Willamette Falls. Additional Other Funds phase-outs included:

- Removal of a limited-duration position that was included in the 2015-17 budget (POP 803) for the Salmonberry Trail project.

- A Reduction of \$405,000 for a Marine Board grant that was approved in the 2013-15 biennium and fully expended in the 2015-17 biennium

\$2.8 million Federal Funds expenditures that had been approved in the 2013-15 biennium, but not expended and therefore carried-forward and fully expended in the 2015-17 biennium have been phased-out of the current service level budget as well.

OPRD projects total revenues from park user fees to increase by 10.45% or roughly \$4.7 million over the prior biennium. Park user fees include day use fees, overnight camping fees, and reservation fees.

Lottery Fund revenues (non-debt service) are projected to be \$91,581,651 at CSL in the Governor's Printed Budget. The December 2016 Lottery Funds forecast from the Office of Economic Analysis projects transferrable revenues of \$184,832,000 to the Parks and Natural Resources Fund, half of which (\$92,416,000) is dedicated to OPRD. This amount is an increase of more than \$5.3 million over the Lottery Fund revenues included in the 2015-17 legislatively approved budget.

The single most significant change to the agency's budget is the redistribution of costs between Lottery Funds and Other Funds revenues that the agency refers to as the "general operating split". A portion of the agency's revenues have dedicated funding sources and are for dedicated expenditures and, therefore, not subject to the general operating funds split. Since the 2011-13 biennium, the general operating split has been 39.14% Lottery Funds and 60.86% Other Funds. The split for the 2017-19 biennium is 48.78% Lottery Funds and 51.22% Other Funds; about a 9.6% swing that results in an \$11.5 million switch between the fund types. The agency's rationale behind the funding split change is to better align expenditures with projected revenues while maintaining appropriate fund balances.

The shift in fund source results in a structural imbalance in the agency's Lottery Funds whereby expenditures of Lottery Funds are anticipated to outstrip Lottery Funds revenues by a little over \$5 million over the course of the biennium at current service level, reducing the ending balance of Lottery Funds held by the agency. However, OPRD's projected 2017-19 beginning balance of Lottery Funds is a little over \$7 million more than the ending fund balance that was anticipated by the legislatively approved budget for 2015-17. In this case, it makes sense to shift expenditures to lottery funds in the short-run, even at the expense of fund balance to the extent that operating reserves are not compromised. This action lowers the dependence on Other Funds revenues that are supported by user fees, thus allowing the agency to not increase fees to maintain the current service level. The risk in the use of the Lottery Funds excess fund balance is that once the excess fund balance is depleted, any ongoing expenditures that are funded this way must be immediately shifted to the user fee supported Other Funds revenues or simply discontinued. The shock to the Other Fund sources may be significant depending on the Lottery Funds fund balance burn-rate, or if Lottery Funds revenue falls short of projections. Conversely, this risk would diminish if Lottery Funds revenues were to increase at a rate greater than projected.

### Policy Issues

Acquisition of new parks or the expansion of facilities and amenities at existing parks puts an increasing strain on the long-term financial stability of the agency. OPRD typically budgets construction and maintenance projects on a biennial basis, segmenting larger projects in to parts that can be completed within a single biennium. While this provides a certain ease of budgeting, it does not clearly account for a growing backlog of projects due to lack of single biennium funding or personnel constraints. Property acquisition budget in the 2015-17 biennium totaled \$3.45 million, the 2017-19 current service level totals \$1.56 million.

As noted in the current service level section above, the Lottery Funds budget for the agency is structurally imbalanced, therefore a portion of the Lottery Funds expenditures at the current service level, and all additional Lottery Funds expenditures contained in the Governor's budget reduce the agency's ending balance of Lottery Funds. If the Governor's proposed budget for the agency was approved in its entirety, the projected ending fund balance of Lottery Funds would still provide a sufficient operating reserve for the agency during the 2017-19 biennium, but barring a significant increase in Lottery Funds revenues, continued support of these expenditures would require shifting a substantial amount of costs to user-fee supported Other Funds in subsequent biennia.

The Governor's budget contains three major components: increased expenditure limitation for maintenance and operational items with costs that exceed the standard inflationary rates or require additional attention; establishing appropriate limitation for anticipated grant funds; and, increased staffing levels.

Two of the proposals in the Governor's budget contain additional revenues. The first is a possible increase in overall user fees by instituting a variable pricing mechanism governed by an annual average rate as set in statute. This item has companion legislation (HB 2318) for the required statutory changes. The second item is for an incremental increase to overnight camping rates that equates to about \$2.00 per site or yurt.

The additional staffing needs of the agency, as presented in the Governor's budget, have significant roll-up costs for the subsequent biennium. Nearly all of the positions are full-time, permanent positions, but are phased-in during the 2017-19 biennium so that about three-quarters of the full biennium cost is recognized. The cost of these positions in the subsequent biennium would be roughly 150% of the 2017-19 biennium after including standard personal services inflationary rates.

### Other Significant Issues and Background

There are no General Funds budgeted for OPRD and the Lottery Fund, other than for debt service, are constitutionally dedicated. The Co-Chairs of the Joint Committee on Ways and Means have not included any specific directions or options for the OPRD budget within the presented state budget framework.